



# The SideBySide Later Stage EIS Fund

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**Offer Review**  
23 May 2019



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## Review Process

MI Capital Research Ltd (MICAP) is a provider of independent due diligence and research into the alternative investment market. Founded in 2013, MICAP also provides an innovative and user-friendly online system for advisers and investors considering EIS, VCT, SEIS, Sitr & BR (commonly referred to as BPR) investment at [www.micap.com](http://www.micap.com).

The following summarises the steps from the initiation of research to the publication of a MICAP Review on the MICAP Fund Finder:

1. MICAP sends the relevant due diligence questionnaire (DDQ) to the party under review.
2. MICAP appoints one of its research analysts to review the completed DDQ, requesting further information or documentation where required.
3. The analyst may contact and/or interview the relevant party as required, auditing the information provided, and thereby collating soft data to supplement the factual data already provided.
4. The analyst writes the MICAP review and draws his conclusions.
5. A second MICAP analyst checks the review for accuracy, homogeneity of process, and that its conclusions have an auditable, clear and sharp thought process behind their construction.
6. The review is sent to the relevant party to ensure factual accuracy. Should that party wish to challenge the review's conclusions, any comments will be evaluated by the analyst before the final draft is prepared.
7. The review is submitted for internal peer review by MICAP's research moderators.
8. The final version of the review is then sent to the relevant party for sign off.
9. Subject to sign off, the full MICAP Review will then be posted on the MICAP Fund Finder and made available to all subscribing users.

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## Overview

The SidebySide Later Stage EIS Fund (the “Fund”) is an Alternative Investment Fund managed by Sapphire Capital Partners Ltd (“Sapphire Capital”), who has in turn appointed The SidebySide Partnership International Ltd (“SBS”) to act as the investment adviser to the Fund.

The Fund is targeting minimum returns of £3.70 for every £1 invested over an investment term of eight years, by providing investors with a minimum portfolio of three later stage, tech-enabled companies. Over time, SBS will look to mentor a group of eight investee companies, providing follow-on funding and support to assist them in scaling up.

EIS advance assurance must be obtained by each investee company as a condition of investment. The Fund will endeavour to charge all fees to investee companies, although where this is not possible a minimum of 99% of investors subscriptions is expected to be available for EIS tax relief (see *Fees & Charges*).

### Offer Details

<b>FCA authorised manager</b>	Sapphire Capital Partners LLP
<b>Investment adviser</b>	The SideBySide Partnership International Ltd
<b>Promoter</b>	The SideBySide Partnership International Ltd
<b>Offer type</b>	EIS
<b>Launch date</b>	04 February 2019
<b>Close date</b>	n/a - evergreen
<b>Minimum subscription</b>	£25,000
<b>Minimum raise to proceed</b>	£750,000
<b>NMPI (UCIS)?</b>	No

### Investment Details

<b>Total target return</b>	370%
<b>Legal structure</b>	Alternative Investment Fund
<b>Target no. of investee companies</b>	Eight (minimum three companies)
<b>Investee company type</b>	Early Stage & Later Stage
<b>Investment objective</b>	Growth
<b>Sector</b>	Technology
<b>Sub-sector</b>	Blend
<b>Exit strategy</b>	Trade sale, IPO, MBO
<b>Minimum expected duration</b>	Three years (target eight years)


**Tax Details** (see *HMRC Compliance* section below for a more detailed analysis)

HMRC approved fund (EIS funds only)	No
HMRC advance assurance status	Yes (AA will be obtained prior to investment)
Has trade commenced for relevant companies?	Yes
% of subscription available for tax relief	100%
Business Investment Relief mechanism	No
Other tax information	None advised

**Fees & Charges** (see *Fees & Charges* section below for a more detailed analysis)

Entity fees charged to	Investment	Investee Company
Initial charge	-	3% <sup>1</sup>
Initial deal fee	-	0.5%
AMC	-	2%
Annual admin charge	-	-
Annual charges on NAV or initial subscription?	Initial Subscription	
Annual performance fee	-	-
Annual performance hurdle	-	-
Exit deal fee	-	0.5%
Exit performance fee	See notes <sup>2</sup>	-
Exit performance hurdle	See notes <sup>2</sup>	-
Available discounts	None advised	
Other fee information	<p><sup>1</sup>SBS also provide investee companies with the opportunity to pay a 2.5% initial charge, with an additional 0.5% provided by way of warrants for equity shares in the investee company.</p> <p><sup>2</sup>Performance fee of 20% will be due once investors receive returns of over £1.60 for every £1 invested. This performance fee will apply to all returns up to £4.00, after which a performance fee of 33% will be paid to SBS and Sapphire Capital.</p> <p>Where possible the annual management charge and dealing charges will be paid by investee companies. Where this is not possible, up to one year's annual management charge may be deducted from an investor's subscription, with the annual management charge for year two until exit paid from future realisations from investee companies.</p> <p>The cost of all deals that abort will be borne by SBS who retain the right to charge monitoring fees, due diligence cost reimbursement, deal cost reimbursement and, where there is board representation, directors' fees to companies in which the Fund invests.</p> <p>Where applicable, VAT will be charged.</p>	
Adviser fees	Initial adviser charges can be facilitated.	



## MICAP Summary

As an EIS fund, investors enter into a fund manager agreement with the manager, which will allocate investors' funds into EIS qualifying companies, according to the strategy set out in the investment documents. When selecting a fund, it is important to examine the expertise and pedigree of the Manager (and its investment selection and monitoring processes). Where completed, please refer to the relevant Manager Review on the MICAP Fund Finder.

The distinguishing features between ostensibly similar services offered by different managers are broadly speaking: the number, age, and business sector of investee companies it chooses for its investors' portfolios, the speed with which it deploys investors' funds (which can affect when investors can claim any EIS tax reliefs), the fees and charges (both to investors and to investee companies), whether advance assurance is sought and, where available, past performance.

When considering an EIS fund it is important to note that EIS tax reliefs are not guaranteed – HMRC must agree that investee companies are EIS qualifying on an individual basis, and this may take longer than anticipated or be refused if certain requirements are not met. The manager seeking EIS advance assurance from HMRC pre-investment can help avoid delays or even refusals.

### Highlights

- The principal of SBS, John Bailye, has a wealth of experience behind him including founding, listing and later exiting Dentrite International Inc for a reported \$750 million; stepping in to assist in corporate turnarounds and mentoring multiple founders (see *Performance History*)
- We are advised that all investee companies are expected to appoint John Bailye to their respective board – given his track record this should provide significant value add as well as helping to protect investors' interests, promote good governance and ensure companies remain on track to meet pre-agreed milestones
- Additionally, SBS' external consultants appear to have credible experience within their respective fields – Grant Allen was part of the original team which built Google Maps – which should provide value add; however, their ongoing involvement with the companies may be limited and is subject to negotiation with investee companies
- Based on SBS' descriptions its investment processes appear well-defined and all investment decisions must receive acceptance from the independent chairman of the Investment Committee Mark Brownridge (Director General of the EISA) which should provide investors with a level of comfort, although it should be noted that Mark Brownridge does not have any private equity fund management experience
- The Fund's fees on an initial and ongoing basis fall towards the lower end of the market and come with the added benefit of the AMC being deferred from year two onwards, which should keep SBS incentivised towards providing investors with an exit; additionally, the charging structure of the Fund means that up to 99% of investor's subscriptions is expected to be available for potential EIS tax relief, which is towards the higher end of the market
- Investee companies must have received EIS advance assurance and must have been trading for four months as conditions of investment, which should allow the investee companies to submit their forms EIS1 immediately following the allotment of shares and speed up the issuance of forms EIS3 to investors

### Considerations

- SBS was recently incorporated and so it has no track record to refer to, and so investors are largely reliant on the involvement and expertise of John Bailye; however, his track record is impressive as outlined above
- The investment team behind the Fund only consists of three members in John Bailye, Ben Ashworth and Tom Govan; and both Ben and Tom have limited experience with circa three years of full-time work between them with no direct fund management experience to refer to (see *Portfolio Strategy*). Consequently, there is a significant level of key person risk with the Fund
- Investors' subscriptions will be allocated into a minimum portfolio of three tech-enabled companies, which limits diversification both in terms of sector and the number of investments. Additionally, companies are likely to have a low level of fixed assets and high cash burn rates and so any failures are likely to lead to large capital losses and will have a significant impact on the performance of investors' portfolios
- SBS does not have a track record in fundraising, and it has not demonstrated an ability to achieve its minimum target raise of £750,000. If only the target is met, we are advised that investors will be allocated shares across a minimum of three companies (which presents a sizeable concentration risk) and, if not, investors' funds will remain uninvested until the minimum target raise is achieved. However, we acknowledge that SBS has hired an experienced Business Development Adviser in Bruce Elliot Smith full-time (see *Appendix I* for biography) and has partnered with Growth Invest to actively promote the Fund and also intends to list the Fund on platforms such as Kuber Ventures, WealthClub and Seedrs, which should help with distribution
- MICAP has not been provided with the full suite of investment documentation, so it is difficult to assess the full depth and quality of due diligence that SBS undertakes; although what we have been provided with (including two external consultant reports – see *Portfolio Strategy*) includes a good level of detail



## Summary

The SideBySide Later Stage EIS Fund is the first venture into the EIS industry by the SideBySide Partnership International Ltd, a recently incorporated venture capital firm led by John Bailie. John's career spans the best part of 50 years, a large part of which was spent as Founder and CEO of Dentrite International Inc, a service provider to the pharmaceutical industry. John led the company through from a two-man operation based in Australia in 1986 generating annual revenues of \$175,000, to a global commercial entity with over 3,000 employees and clients in over 50 countries. John initially led the company through an initial public offering in 1995, before the company was acquired by Cegedim S.A in 2007 for a reported \$751 million.

John's investment record during this time includes 34 companies (both corporate and individual) with seven investments returning below par. As part of these investments and John's wider private equity fund investments, John's expertise has been recognised by his peers and notably he was part of the Director Network of Edison Partners (a private equity firm with \$1.4 billion under management). As part of his previous directorships, he has been heavily involved in and co-invested in several turnarounds on behalf of US private equity firms including the turnaround of EKR therapeutics and Systech International (which returned 4x and we are advised that latter is expected to exit at a strong multiple in the next 12 months).

The Fund will focus on investing in later stage, technology-enabled businesses which have managed to establish a customer base and are generating revenues in excess of £1 million per annum. These are dubbed "Transitional" companies by SBS as they are looking to progress towards full-scale commercialisation. Investors' subscriptions will be allocated into a minimum of three Transitional companies, although we have been advised that as the Fund continues to raise more capital, a small portion of capital may be placed into earlier stage "Foster" companies that do not display all of the characteristics of a Transitional company, but SBS believes may do so in the near future. It should be noted that any such companies will carry a higher risk of failure (albeit a relatively lower entry share price).

SBS has advised that the Fund was formed on the basis of resolving a perceived market failure in the UK, formally identified by the Patient Capital Review in 2017 and the UK Industrial Strategy. In short, these papers highlighted that while the UK ranks fairly among its peers for the number of start-ups registered per year, the proportion of these companies that scale into large, commercial businesses lags significantly behind. SBS believes that this is not as much about the product/service, but more so around the employees, organisation, structure, financial and operating model that can inhibit a company's ambitions for growth. This is where it feels it can add value to investee companies, primarily through the mentorship of John Bailie and the addition of its network of external consultants who appear to have a good level of experience (see biographies in *Appendix I*).

Deal flow for the Fund is sourced largely through John's network developed during his career but also extends to SBS' external consultants (which we are advised have good industry contacts in the technology space), family office associations and various regional networks in the UK. Companies will then follow what appears to be a well-defined due diligence process in line with its peers, with initial due diligence conducted by Ben Ashworth with assistance from Tom Govan; however, we note that they both have limited experience in the industry with a circa three years of full-time work between them, the majority of which has been at SBS. Further due diligence is then conducted by SBS alongside external consultants (principally Grant Allen, Barbara Spurrier & Rodrigo Jesus – see *Appendix I* for their summary biographies) who are paid on a deal-by-deal basis and will assess areas of the business which falls under their expertise including technology, finance and operations.

The Investment Committee will also assess companies in two stages, first during the due diligence phase in an attempt to familiarise themselves with the founders and address any areas of concern, secondly to vote on whether to invest into the company. Each investment decision requires the approval of all present members, including its Independent Chairman Mark Brownridge (Director General of the EIS Association) who should be able to provide insight on the EIS market and legislation. Although the due diligence documents we have been provided with include a good level of detail, we have not been provided with the full suite of documentation (including Investment Committee meeting minutes and an investment proposal) so it is difficult to ascertain the full depth and quality of SBS' full due diligence process. However, it is worth stating that this is because SBS is yet to conclude the full due diligence process for a potential investee company, rather than a lack of transparency.

In establishing the Fund, John has stepped away from the US private equity world and advises that now his sole focus is the Fund, and providing his expertise to a select group of eight Transitional companies (see *Portfolio Strategy*) through a board seat on each in addition to mentoring companies for at least two days per month, which should provide significant value add; however, there is a significant key person risk with John to be considered. Ongoing support appears to be SBS' strong suit, with John backed by what would appear to be experienced consultants which includes a former Google employee who was part of the team behind Google Maps (see *Appendix I*). At the point of investment each investee company will have a set roadmap outlined by SBS, which includes recommendations from the external consultants on what is required to scale up the business. Companies are provided the opportunity to hire the consultants to assist in achieving these objectives, although the decision is not enforced upon them. Where this opportunity is taken up, the external consultants are expected to be hands-on during the first month – working two to three days per a week – and then retreating to an oversight role over time. Companies that continue to meet their objectives will then be reassessed for further investment on an annual basis, with SBS looking to facilitate this through the Fund. This will naturally have dilutive effects on existing shareholders and should also be noted. In light of this, the ability to continuously provide adequate funding and mentor companies through the scale-up process will be key to the success of the Fund and providing investors with returns in line with the stated target of £3.70 per £1 invested.



The Fund will only invest in companies which have received EIS advance assurance, all of which is expected to be issued in accordance with current EIS legislation. All investee companies will have been trading for at least four months at the point of investment and so are able to submit forms EIS1 immediately, which should help to reduce delays; however, it is worth drawing attention to SBS' lack of deployment record as this is its first EIS fund. Nevertheless, with an initial pipeline of six companies with a potential funding capacity of £5.3 million, we would expect SBS to meet its target deployment rate of 12 months. We have been advised that all administration duties in relation to EIS process – including the provision of forms EIS3 to investors – will be handled by Sapphire Capital, who have experience in dealing with the EIS certification process and HMRC, we are advised having provided forms EIS3 on over 300 companies in an average of three months.

The Fund's charges are not borne directly by the investor and instead are settled by the investee companies – with the exception of one year's worth of annual management charge, if this cannot be recovered from the investee company – and as a result a minimum of 99% of investors' subscription is available for potential EIS tax reliefs, which is towards the higher end of the market. Additionally, investors will be pleased to note that the fees charged are below average on both an initial and ongoing basis when compared to 38 similar EIS offers listed on the MICAP Fund Finder and that the annual management charge from year two onwards is deferred and taken on portfolio realisations – this should keep SBS motivated towards providing an exit in a timely manner. With regard to company realisations, the Fund's performance fee is charged on a portfolio basis rather than investee company basis which is preferred, and unique to the Fund it operates a two-tiered performance fee structure. Notably, the initial hurdle of £1.60 per £1 invested is well above the average for the market and is the highest in the market. For returns between £1.60 and £4.00 per £1 invested a performance fee of 20% is payable to SBS, any returns above £4.00 will be charged a fee of 33%.

In summary, the Fund's below average fees and relatively high-performance hurdle should attract investors although it should also be noted that this is SBS' first EIS fund. SBS has no track record in terms of fund raising and performance, and for the latter investors will be taking it on faith based on the considerable expertise and involvement of John Bailye. Although his track record outside of the Fund and SBS is impressive (and includes evidence of growing his own company, stepping in on corporate turnarounds and mentoring company founders to high exit multiples), this comes with a high level of key person risk.





## Performance History

To qualify for tax relief, EIS investments must be in unquoted companies - either small companies not listed on any recognised exchange or listed only on the AIM or ISDX markets. While the performance of listed companies can be ascertained through recent trades or their current share price on the relevant market, the only time to reliably ascertain the performance of an unlisted EIS investment is on exit. Without a quoted share price to refer to, investors seeking guidance must rely on valuations performed for say, further fundraising, or any shareholder information provided by the investment managers.

Considering the historic performance of the total portfolio can be helpful in assessing the manager's track record with respect to the Fund. However, as this is an EIS discretionary portfolio service, investors' portfolios may bear little or no resemblance to the current portfolio of companies as outlined below.

**Past performance is not an indicator of future performance.**

## Target Return

The Fund aims to generate capital growth of £3.70 per £1 invested over an investment term of eight years (excluding any associated tax reliefs, which are not guaranteed), which is equivalent to a compound annual growth rate of 17.8%.

Considering the 27 EIS funds that have a target return and are both listed on the MICAP Fund Finder and currently raising funds, the average target return is 213%. Based on the above, the Fund's target return is, therefore, above its peers.

## SBS' Track Record

The Fund was established in February 2019 and is yet to deploy funds into its first investee company, and so has no performance record to consider. This is also the case for SBS as an entity which has only been operational since May 2016 – the Fund is its first venture in the EIS industry. Considering this, below we look at the experience and investment record of SBS' principal, John Bailie.

John's track record stretches back to 1986 when he founded Dentrite International Inc, a company which provided sales force software products and support services to the pharmaceutical industry. John was CEO of the business until it was acquired by Cegecim S.A in 2007 for circa \$751 million. SBS advises that throughout his time as founder and CEO John can relate to a number of struggles that investee companies are likely to face from the initial struggle of fundraising, securing your first contract, reaching \$100 million in revenue and successfully leading the company through an IPO. By the time the business was sold it had grown from a two-person operation with \$175,000 in annual sales to generating revenue in excess of \$400 million, with over 3,000 employees and clients in over 50 countries.

SBS advises that after concluding the sale of Dentrite International Inc John has been an active investor and mentor to a number of businesses. As a broad overview of his investment record, we are advised that John has invested, co-invested or acquired (through corporate acquisitions) over 34 companies, with 14 private investments in the US and five in the United Kingdom, where transactions have ranged from up to £50 million.

Out of the 34 companies, we are advised that seven returned below par (including being subject to fraudulent management misrepresentation), while exit multiples on the positive side of things typically ranged from 4x initial cost to 7x initial cost. In addition, he has also invested in a number of private equity funds (including three Edison Ventures funds, a private equity firm with \$1.4 billion in AUM). As an example of John's experience of mentoring investee companies, SBS has provided the following examples:

### **EKR Therapeutics – Specialist hospital provider of acute-care specialty pharmaceuticals**

John was asked to chair the board and mentor management through a corporate turnaround on behalf of three private equity firms based in the USA. However, after discovering various issues within the company (including extensive debt, loss of contracts and revenues) John stepped in as CEO. During his short three-year stint revenue recovered from circa \$80 million to just over \$124 million and the company was later sold at an exit multiple of 4.0x.

### **Systech International – Serialization, track and trace, and brand protection solutions**

We have been advised that John also led the takeover of Systech International with Dublier & Co in 2014 and consequently invested a portion of his personal capital into the company. Following the takeover, John joined the board when the company had circa \$16 million and contributed to altering the company's offering to specialise in production line management. The company is currently on course to exceed \$65 million in revenue in its current financial year and we are advised that it expects a significant exit this year.



### **New Jersey Tech Council**

In addition to the above, John is a founding member and former chairman of the New Jersey Tech Council which was established in 1996. The primary purpose of the council was to provide entrepreneurs with a support network and access to business development, education, networking and recognition opportunities. Notably, John also acted as director and invested in the NJTC Venture Fund – \$80 million early stage venture capital fund – which was founded in 2001 and completed 33 portfolio investments during its active investment period which ended in 2007. The fund is still realising some of its investments, and has currently generated realised returns of circa 3.7x.

### **Performance History Summary**

Both the Fund and SBS have no track record to consider, which is to be expected considering this is SBS' first foray into the EIS industry. Consequently, investors are largely reliant on the people behind SBS and principally John Bailye, who has founded, grown, listed and exited his own company at a valuation of \$751 million. In addition, John has been requested to help lead companies by various private equity firms including Edison Ventures, New Jersey Tech Council and Dublier & Co., which suggests that he has significant relevant experience to be able to mentor investee companies towards their objectives.

## Portfolio Strategy

The investment strategy of a portfolio service defines what type of companies it will invest in, such as what business sector these companies are involved in and how established they are\*. These factors can determine how diversified a typical investor's portfolio is likely to be – an undiversified portfolio could potentially leave investors overexposed to specific market risks, which can impact on their portfolios' performance.

In an evergreen EIS portfolio service, investors' funds will be invested over a period of time (generally estimated within 12 months) as and when investment opportunities arise, to create their own, personal portfolio. As one cannot predict what an individual investor's portfolio will be, when considering the portfolio strategy of the Fund we can only consider the entire range of investee companies that the Fund has invested in across all investors.

\*investee companies can be generally divided into seed stage, early stage, later stage and finally AIM listed.

## Strategy, Selection and Due Diligence

The Fund will look to allocate investors' subscriptions into a minimum portfolio of three EIS-qualifying investee companies, all of which will be revenue generating at the point of investment. SBS will prioritise opportunities based on the application of technology to a traditional task which is transformed as a result, and for which the customers perceive and agree the company's product or service offering can either solve the problem or create new opportunities – in short, disruptive companies. Prospective investee companies are split into two cohorts, "Transitional" and "Foster". Transitional companies are expected to be later stage companies with established customer bases, generating revenues in excess of £1 million and displaying the following characteristics:

- Driven and ambitious management team, receptive to mentorship
- Businesses with significant growth records and at least one year of revenue in excess of £1 million
- Strong customer endorsement of the product/service offered
- Good level of basic governance in place
- Founders must have invested a significant amount of capital in the business and currently being paid modest salaries
- Companies that are reasonably and fairly valued

These companies are expected to form the foundations of the Fund and are expected to attract the majority of investors' subscriptions during the early stage of fundraising, with SBS acting as the lead investor on deal sizes ranging from a minimum of £200,000 to £1 million. Foster companies on the other hand are at earlier stages in their life cycle and may not display all of the attributes of a Transitional company, but SBS believes they have the potential to in the near future. SBS has advised that in order to not miss out on these opportunities in the future it will invest a small amount of capital – between £50,000 to £100,000 – to retain the right to invest further capital when they begin to exhibit the desired characteristics. We are advised that this is possible through pre-emptive rights held by the nominee shareholder (WCS Nominees Ltd) on behalf of the Fund.

We have been advised that deal flow for the Fund is primarily sourced through John Bailye's personal network and SBS' external consultants. Additionally, SBS also sees deal flow from regional angel networks (mainly Edinburgh, Manchester and Bristol) in instances where deals have grown beyond their capital requirements, as well as the family office associations – which are based opposite SBS' offices in St James', London – corporate finance houses and other fund managers in the EIS industry. All opportunities are first presented to John Bailye and Ben Ashworth who will determine if the company warrants any further due diligence, which will follow the process outlined below.

Portfolio Manager, Ben Ashworth will conduct a financial and business plan review of all prospective investee companies, with assistance from Junior Analyst Tom Govan.

Investee companies will then be subject to two levels of further diligence which involves two due diligence questionnaires and interrogation from external consultants, if necessary. The Investment Committee will also attend follow-up meetings with company founders to address any areas of concern.

External consultant reports, SBS investment proposal and any supplemental documents are presented to the Investment Committee which will provide final sign-off before Heads of Terms are agreed with the investee company.

The Investment Committee will assess all investee companies on an annual basis against their development objectives and KPIs, assessing areas for improvement before considering them for further investment.



The SBS investment team comprises three members: John Bailye, Ben Ashworth and Tom Govan. Ben Ashworth is a portfolio manager and joined SBS in August 2017 after graduating from the University of Exeter with a bachelor's degree in Economics and Politics. Tom Govan joined SBS in July 2018 as part of his year in industry, as part of his Business & Management undergraduate degree at the University of Exeter. The team is therefore very junior and reliant on John Bailye and any assistance from external consultants.

As part of the due diligence process, the external consultants that SBS will use comprise the following:

- Barbara Spurrier – Audit and verify all financial information provided as part of the due diligence process
- Grant Allen – Completing technical due diligence which covers all technological aspects of the business
- Rodrigo Jesus & Ashley Blackmore – Will conduct due diligence on all operational aspects of the firm

SBS has advised that where they are utilised for initial due diligence, each consultant is paid on a deal-by-deal basis and provides valuable feedback through reports which assess the status of the company as it stands, what is required to correct any deficiencies found, and a roadmap of what is required going forward. This information is then utilised by the Investment Committee to set out one- and three-year roadmaps of critical hurdles that need to be passed as the company continues to grow. Each company roadmap is expected to be multifaceted and will cover areas including governance, recruitment, product development, software development and more.

MICAP has been provided with some sample due diligence documents including two due diligence questionnaires, a founder investigation report, and two external consultant reports from Barbara Spurrier and Grant Allen respectively. Both questionnaires go into a good level of detail in order to obtain details on various aspects of the business including corporate governance, company financial history and IP ownership, while the founder investigation reports go into a great level of detail on the backgrounds of the founders and verifying the information they have provided. Furthermore, it is encouraging to see the value-add that both Barbara Spurrier and Grant Allen add to the investment process from their respective reports. Barbara Spurrier's report provides a high-level summary of the business before going into detail on all aspects of the finance side of the business including analysis on revenues, costs, cash flow and clients while also providing recommendations going forward to resolve any areas of concern. Similarly, Grant Allen's technical due diligence report provides analysis and commentary on the level of experience of the team developing the technology, future product development and outlining and mitigating any technological risks for the business being assessed. It is worth noting that MICAP has not been provided with the full suite of due diligence documents including final investment proposal, investment committee meeting minutes and other external consultant reports, so we are unable to assess the full due diligence process; however, this is a consequence of the fact that these reports are yet to be completed rather than a lack of transparency from SBS and we note the good level of detail in the documents provided.

All investment decisions are ratified by the Investment Committee for the Fund which consists of three members, John Bailye, Boyd Carson (as representative of Sapphire Capital) and Independent Chairman Mark Brownridge (Director General of the Enterprise Investment Scheme Association). The committee is quorate with a minimum of two members, providing that at least one independent member (Mark Brownridge) is present. Decisions are made on a unanimous basis which should provide investors with a level of comfort as the acceptance of the independent member is required for all investment decisions. Sample Investment Committee meeting minutes and investment papers were requested although were not provided; consequently, we are unable to comment on the level of governance that the committee provides or assess the quality of the final reports provided to the committee. Nevertheless, based on his track record we believe the value-add of Mark Brownridge will be largely based on market insight and EIS legislation, rather than the analysis of the business proposals.

SBS believes the Fund differentiates itself from the pack of other EIS offers through its hands-on management style after the point of investment and it intends to focus all of its time on a core group of eight Transitional companies. The primary focus of this approach is to ensure that companies have the best access to capital and more importantly mentorship from experienced individuals who can plug a potential skill gap that SBS has highlighted through its due diligence. This process is partly informed by the reporting requirements placed on companies, which includes providing SBS with monthly accounting data which will be used to assess how companies are performing according to various key performance indicators including revenue growth, new customers, profitability and more. A principal part of this process will be performed by John Bailye who will meet with companies for a minimum of two days per month (and more if required); additionally, SBS will look to bring in external consultants (listed above) to assist where necessary, including software development, financial management, governance and recruitment. However, the decision to hire these consultants will be up to the companies themselves, and their fees can be paid in the form of cash or shares in the underlying companies, with SBS favouring the latter to align interests with investors. In the event that the relationship continues, consultants are expected to be fairly hands-on during the first couple of months, reducing to an oversight role over time as companies fulfil certain objectives. All of the above suggests that SBS will be on hand to ensure that companies remain on course and qualified individuals are on hand to identify any problems as quickly as possible and dealt with accordingly, which should provide a level of comfort to investors, although the potential dilution on investors' equity should be noted.

The summary biographies of the SBS investment committee are included below, and external consultant biographies are in *Appendix I* (please note that these summary biographies have been written in conjunction with SBS and have not been verified by MICAP).



<b>Member Name</b>	Mark Brownridge – Director General, EIS Association
<b>Summary biography</b>	<p>Mark has over 20 years' experience in financial services and prior to his current position he was Head of Research and Development at Mazars for over 10 years.</p> <p>Mark is a Certified Financial Planner, Chartered Wealth Manager and Fellow of the Personal Finance Society and previously sat on the Chartered Institute of Securities and Investments Accredited firms committee and TISA's Distribution Policy Council.</p>
<b>LinkedIn profile</b>	<a href="http://www.linkedin.com/in/markbrownridge">www.linkedin.com/in/markbrownridge</a>

<b>Member Name</b>	Boyd Carson – Managing Partner, Sapphire Capital
<b>Summary biography</b>	<p>Boyd has nearly 30 years' experience in the accounting and corporate finance markets, having worked as a Director for PricewaterhouseCoopers LLP's mergers and acquisitions group in New York. Boyd is a Fellow of the institute of Chartered Accountants and was the 2015 winner of the EISA Rising Star Award. Boyd is currently completing a master's degree in finance at Harvard University.</p>
<b>LinkedIn profile</b>	<a href="http://www.linkedin.com/in/boydcarson">www.linkedin.com/in/boydcarson</a>

### Prospective Investee Companies

SBS has provided short descriptions of three of the potential eight Transitional companies and three Foster companies that it may potentially invest in, all of which are summarised below.

Stage of Due Diligence	Transitional or Foster	Sector	Business Plan Summary	Funding Capacity
Heads of Terms	Transitional	Financial Technology	<p>The company is an online and capital raising deal platform focusing on large corporate clients and professionals looking to fundraise in private as seamlessly as possible.</p> <p>The company's technology currently powers a major European Stock Exchange connecting high growth companies with their institutional investor network.</p>	£2 million
Heads of Terms	Transitional	Technology	Workplace mobile messaging app focused on the retail and hospitality sectors.	£1.5 million
Due Diligence	Transitional	Sports Technology	The company currently produces a sports GPS and performance tracking wearable technology, currently transitioning to becoming a software company.	£1.5 million
Due Diligence	Foster	Financial Technology	London-based online travel business which aims to provide low cost finance for consumer holidays.	£100,000
Due Diligence	Foster	Technology	Mobile & website platform which aims to help independent food & drink establishments get discovered and attract new customers through exclusive offers, booking tables through the app and bespoke marketing campaigns.	£100,000
Due Diligence	Foster	Food Manufacturing	The company has developed a patented, fuel efficient, commercial grill.	£100,000

In addition to this, there are three Transitional companies currently in the midst of its due diligence with a funding capacity of £4.5 million.



## Portfolio Strategy Summary

Investors will be allocated shares in a minimum portfolio of three EIS-qualifying companies, with a bias towards the technology sector, which limits diversification somewhat and could present a concentration risk. However, although SBS is new to the market, deal flow does not appear to be an issue largely due to John Bailye's presence in the venture capital space.

The rest of SBS' team is small and junior, so there is a significant key person risk here; although we note that SBS intends to take out key man insurance on John Bailye for £1.5 million. Additionally, initial deal filtering may be undertaken by Ben Ashworth (who is in his first post-graduate job) and potential opportunities could be missed, and we have not been provided with the full suite of investment documentation so it is difficult to assess the quality of the due diligence. However, the documentation we have been provided with appears adequate and the Fund's investment due diligence and selection processes as described are akin to what we have seen among SBS' peers in the industry. Furthermore, the independent members of the investment committee and access to external consultants for initial due diligence as well as ongoing mentorship could prove to be a real value-add for investors.



## Financial Security

Here we look at how secure investors' capital is, based on the nature of the investments made by the Fund. Specifically, we consider any criteria the manager employs when considering its investments - such as whether the potential companies are asset-backed, have borrowing, certainty of income streams in the underlying companies, and whether the manager will be able to exert any influence on the investee companies through board representation to ensure good governance.

Investing in SMEs carries certain risks, and although the measures outlined above are there to help safeguard against capital losses for investors, it should be noted that these risks can never be completely eradicated.

### Underlying Assets, Income Streams & Borrowing

Through the Fund, investors will be purchasing ordinary shares in investee companies. In the event of an investee company's financial failure, ordinary shareholders will rank last in the line of creditors and may suffer a complete capital loss on that investment.

The Fund will allocate investors shares in early-stage technology companies. In accordance with current EIS legislation, investee companies are unlikely to be backed by a substantial level of fixed assets and are more likely to be backed by the intellectual property behind the product/service. Consequently, any investee company failures will likely lead to a significant or total loss on that investment. This is mitigated somewhat by the fact that most companies will be revenue generating at the point of investment, demonstrated there is a level of demand for their product/service; although they are not expected to be profitable and are likely to have high cash-burn rates in order to help foster their growth.

In the event that an investee company requires external debt, it will have to receive consent from the SBS appointed director.

### Follow-on Funding

As outlined earlier in *Portfolio Strategy*, SBS has advised that it will look to provide investee companies with further capital on an annual basis, provided that companies are progressing accordingly towards pre-agreed targets. In such circumstances, the Fund will hold pre-emptive rights through the nominee shareholder (WCS Nominees Ltd) which will allow it to provide further capital. SBS has advised that in such circumstances it will invite existing investors to invest further capital in the company, although they are not required to take up the opportunity. Where existing investors do not take part in future funding rounds for the Fund, they should note the dilution effect this will have on their shareholding.

Notably, with follow-on investment comes a potential conflict of interest as SBS will be acting on behalf of existing and new investors. In order to manage this conflict, companies must receive approval from the investment committee which will consider the incoming share price for new investors in order to ensure that the share price is justified in order to avoid bias towards one group of investors over another, and we would expect the Independent Chairman of the Investment Committee to weigh in here.

### Governance

Investors will typically hold ordinary shares in companies i.e. there will typically be a flat share structure where investors and the investee company principals' shares rank *pari passu*. Generally speaking, EIS investors will collectively account for between 10% to 30% of equity in Transitional companies, with Foster companies being below 10%.

We have been advised that SBS will look to appoint a director – John Bailye – to the board of each investee company, who will be remunerated separately to the AMC at a rate of £2,000 per board meeting, equating to a minimum of £8,000 per annum as there will be a minimum of four board meetings. Additionally, for two days per month investee companies will meet with SBS for more hands-on mentoring (covered by the Fund's annual management charge), which SBS hope will assist in driving the businesses forward.

### Financial Security Summary

Investors will be allocated shares in later-stage technology companies and so are expected to be largely backed by intellectual property rather than any substantial fixed assets and as a result will be exposed to the potential of significant or complete capital losses in the event of a failure. However, this is mitigated somewhat through the fact that most companies will be generating revenues in excess of £1 million at the point of investment – although they are not expected to be profitable. Additionally, we would expect the significant level of engagement with John Bailye to assist in this regard.



## Exit Strategy

Here we consider whether there is a defined exit strategy for investors, and if so, what form this exit will take (flotation, liquidation, or sale of the individual companies etc.), when that exit is likely to take place, how long the process is expected to take and any factors that it is reliant on. Crucially HMRC prohibits “pre-arranged exits” for EIS qualifying shares - so it is important to consider the facts of each investment and make the appropriate judgement.

Investment into AIM or NEX listed companies allows for a clearly defined exit strategy via the sale of shares on the exchange but the exit strategy for unlisted shares will be dependent on its own circumstances. It is important to note that any such exit strategy is not guaranteed and may take much longer than anticipated to realise.

### Overview

According to the Fund literature the expected holding period for investments is between three to eight years, with exits likely to be achieved via a trade sale, private-equity backed management buyout, or an initial public offering (“IPO”). Investors should be wary of the long-term investment horizon for EIS investments and it is likely that investment will fall towards the longer end of this spectrum and potentially even longer. Notably, any future exit could be further delayed by follow-on investments to ensure that the shares are held for the three-year qualifying period.

### Exit Record

As detailed in the *Performance History* section, both the Fund and SBS have no track record to refer to. Nevertheless, it is encouraging to note John Bailye’s record in this regard, having had seats on both sides of the table with IPOs, acquisitions and trade sales (see *Performance History* for more information).

### Exit Strategy Summary

Both the Fund and SBS has no track record to refer to, which is unsurprising given its lack of investment record to date. This may be a concern for some investors, although this is mitigated somewhat by John Bailye’s track record which includes circa 34 corporate and personal company investments that he has made. We are advised that the typical exit multiple that he has achieved typically ranged from 4x initial cost to 7x initial cost, although there have been seven which returned below par. Nevertheless, we would expect John’s experience of taking companies through IPOs, private equity buyouts and trade sales should provide value-add.

Fundamentally, unquoted companies should be considered an illiquid investment for the medium to long term, and investors should be prepared to wait up to eight years (and potentially beyond) to be fully exited from all investee companies.





## Liquidity

Liquidity at an investor level is concerned with how readily an investor can liquidate their investment outside of any pre-determined exit strategy. Liquidity is important as investors' circumstances may change and they may wish to access some or all of their investment sooner than originally anticipated, regardless of any adverse tax consequences this may have.

Where a portfolio is comprised solely of unlisted shares, liquidity can be very limited as investors may find it difficult to find a prospective buyer, whereas a portfolio comprised of AIM listed shares at least provides the comfort of knowing there is an active secondary market. Generally speaking, however, EIS investors should consider their investment to be for the medium to long term, and certainly for at least three years.

### Overview

Investors in the Fund will hold the shares via a nominee, WCS Nominees Ltd, and will remain the beneficial owner. Should an investor require liquidity before the underlying investments' exit strategy is achieved, this will have to be via a sale to a third-party purchaser or back to the investee company.

Should an investor dispose of their shares within three years of their issue they will suffer a claw back of any tax relief claimed.

### Secondary Market

Although there is not currently a secondary market for the unlisted shares in an investors' portfolio, SBS has advised that it may establish a limited secondary market facility for investors to prematurely liquidate their portfolio in appropriate circumstances (e.g. death, divorce, etc) in the near future. In these circumstances, the liquidating investor will be able to sell some or all of their portfolio holdings subject to SBS' discretion, and over an agreed time span.

Investors should note that even under the potential secondary market outlined above, finding a third-party buyer willing to purchase their shares may prove difficult – even if it is accomplished it may be at a discount to the investment price.

### Liquidity Summary

As with all unlisted EIS investments, investors' portfolios should be considered illiquid – meaning investors should not expect to realise their funds before the stated target exit period (see *Exit Strategy* above).



## HMRC Compliance

EIS funds can be divided (from a HMRC perspective) into two types – approved and not approved funds. Investors into approved EIS funds qualify for tax relief from the day the offer closes provided that certain conditions are met (see below). This will always be earlier than when the actual underlying investments are made, and may in some cases be in a previous tax year. Investors in funds without approval qualify for tax relief as and when their funds are invested into the underlying qualifying companies. In both cases tax relief is subject to receiving the relevant tax certificate(s).

Approved EIS funds must be invested in a minimum of four companies (which must themselves qualify under EIS – the approved nature of the fund does not mean by default that these companies are ‘approved’), and the amount invested in any one company should not exceed 50% of the fund capital. Further, no investments may be made by the fund until after it closes, and it must be expected that all investments made by the fund will be in EIS qualifying investments. 90% of the fund must be invested within 12 months of the fund close date.

The manager will obtain a single form EIS3 in relation to the qualifying investments made by the fund into investee companies. Once 90% of the fund capital has been invested into qualifying investments, a single form EIS5 will be issued to investors covering the whole of their investment made into EIS companies through the approved fund.

For an approved EIS fund, the tax reference point for income tax purposes is the date of the fund closure, and not the date shares in investee companies are issued (which is the case for EIS funds which have not been approved by HMRC). The reference date for Capital Gains Tax deferral relief remains the date the investment is made into the investee companies

**If an approved fund fails to invest as planned within this 12-month time frame this could affect the timing (and potential quantum) of tax relief available to the investor, and which year tax relief is available in.**

### Deployment

SBS will aim to have investors’ funds fully deployed into investee companies within 12 months following their initial subscription, although it is worth noting that this is SBS’ first fund and consequently it does not have a track record of deploying investors funds into EIS-qualifying companies.

All companies will be trading for a period of four months at the point of investment and are therefore expected to be able to submit forms EIS1 to HMRC as soon as shares have been allocated.

### Advance Assurance Status

SBS will only invest in companies which have received EIS advance assurance from HMRC, all of which must have been assessed in line with the current legislation. EIS applications will be completed by the companies, with assistance from Sapphire Capital if necessary.

As the date of this review, we have been advised that two of the pipeline Transitional investee companies and one Foster investee company has received EIS advance assurance.

### Ongoing Monitoring

SBS has provided a sample term sheet, which includes a couple of clauses which are intended to help ensure that investee companies operate in line with EIS legislation. Firstly, that proceeds are used for the growth and development of investee company’s in line with the agreed business plan. Secondly, that the investee company will use all efforts to ensure such relief is available to all investors and if the trade ceases to qualify for EIS relief, to notify SBS within 48 hours. If an investee company were to breach these clauses and EIS investors were to suffer as a result, SBS could take legal action against the investee company on EIS investors’ behalf – although these clauses are typically intended as statements of intent rather than to provide recourse.

### HMRC Record

Fund administration – including the provision of forms EIS3 to investors – is handled entirely by Sapphire Capital. As the Fund only recently launched it does not have a track record of providing investors with forms EIS3. Nevertheless, we are advised that outside of the Fund, Sapphire Capital has an established track record of providing investors with forms EIS3 taking an average of three months from the allotment of shares across over 300 companies across multiple EIS funds it has managed in a similar capacity.

### HMRC Compliance Summary

The Fund is expected to only invest into revenue-generating companies which have been trading for over four months with EIS advance assurance in place, which should mean that forms EIS1 can be submitted to HMRC as soon as shares have been allotted. Investors should take comfort with Sapphire Capital managing this process but it is worth highlighting the lack of deployment record for SBS.



## Regulatory Compliance

EIS portfolio services are subject to certain rules and regulations regarding how and to whom they can promote their investments. Adherence to these regulatory requirements does not reflect in any way the likelihood of the Fund meeting its performance objectives, but a failure to comply with the regulations could jeopardise the Fund's standing and may be indicative of other serious failing in its management team and processes.

For a discretionary portfolio service, the fund manager must complete a suitability test on each holding and have permission to manage investments, for an Alternative Investment Fund whoever is responsible for arranging the investment must complete an appropriateness test on the investor.

Unless structured as a UCIS, EIS funds lie outside of the FCA's definition of a non-mainstream pooled investment; however, the shares that investors will own will be specified investments and potentially non-readily realisable securities, both of which have their own promotion restrictions.

### Overview

Under Section 21 of the Financial Services and Markets Act 2000 (FSMA), promotional material for specified investments or the services of a financial services firm must be approved by an authorised person to ensure it is not misleading or misrepresenting the offer unless exempt. The information memorandum has been approved by Sapphire Capital, which is authorised and regulated by the FCA with firm reference number 468022.

The Fund is a discretionary portfolio service and is classified as an Alternative Investment Fund for the purposes of the Alternative Investment Fund Managers Directive (AIFM) (2011/61/EU). SBS' principal Sapphire Capital, has permissions to manage an unauthorised alternative investment fund.

### Distributor

The Fund is promoted by SBS and EIS Platforms Ltd (t/a Growth Invest with FCA firm reference number 694945), both of whom are appointed representatives of Sapphire Capital.

### Regulatory Compliance Summary

SBS, Growth Invest and Sapphire Capital appear to be complying with the relevant regulatory restrictions and requirements.

## Valuation & Reporting

Here we outline what reports and valuations will be provided or made available to investors, and what the valuation policy utilised is.

### Valuation Methodology

At the point of investment, valuations of each investee company are performed internally by John Bailye in line with International Private Equity and Venture Capital (IPEVC) valuation guidelines, utilising external expertise to assist where necessary.

On an ongoing basis, Sapphire Capital will be charged with valuing investee companies and valuations will generally be valued at either cost, the valuation achieved at the most recent funding round or net realisable value.

### Reporting

The Fund will provide investors with quarterly reports, all of which will be available to access via SBS' website. Additionally, investors can expect to receive an annual independent review of all investee companies and will be invited to investor events where they can meet a selection of the companies.

MICAP has been provided with examples of these investor reports, and we can confirm that they provide investors with a good level of detail on the progress of investee companies. Reports include the most recent financial statement in addition to a full breakdown of how companies are performing according to 23 key performance indicators (including revenue growth, profitability ratios, gearing ratios and more). Additionally, investors are provided with high-level business plans and company budgets.

### Valuation & Reporting Summary

The quarterly reports should give investors a good understanding of the relative progress of their investments. Naturally, as unquoted companies are difficult to value, the approach to valuing underlying companies on an ongoing basis appear suitable.



## Fees & Charges

The initial and annual fees charged by an investment can have a profound effect on the returns an investor may receive on exit, and higher fees can quickly eat away at any savings made through tax relief, especially after a number of years.

Performance fees are an accepted industry norm, aligning the interests of the fund manager and investors, however the performance fees should only apply where the investment has exceeded its investment objectives. A low hurdle rate on an otherwise reasonable performance fee could see the fund manager being remunerated despite relatively poor performance.

Initial and annual fees charged to investee companies are also an accepted industry norm, although often these fees are not disclosed despite the fact that they can significantly reduce the amount of funds available for business development.

### Overview

Entity fees charged to	Investment	Investee Company
Initial charge	-	3% <sup>1</sup>
Initial deal fee	-	0.5%
AMC	-	2%
Annual admin charge	-	-
Annual charges on NAV or initial subscription?	Initial Subscription	
Annual performance fee	-	-
Annual performance hurdle	-	-
Exit deal fee	-	0.5%
Exit performance fee	See notes <sup>2</sup>	-
Exit performance hurdle	See notes <sup>2</sup>	-
Available discounts	None advised	
Other fee information	<p><sup>1</sup>SBS also provide investee companies with the opportunity to pay a 2.5% initial charge, with an additional 0.5% provided by way of warrants for equity shares in the investee company.</p> <p><sup>2</sup>Performance fee of 20% will be due once investors receive returns of over £1.60 for every £1 invested. This performance fee will apply to all returns up to £4.00, after which a performance fee of 33% will be paid to SBS and Sapphire Capital.</p> <p>Where possible the annual management charge and dealing charges will be paid by investee companies. Where this is not possible, up to one year's annual management charge may be deducted from an investor's subscription, with the annual management charge for year two until exit paid from future realisations from investee companies.</p> <p>The cost of all deals that abort will be borne by SBS who retain the right to charge monitoring fees, due diligence cost reimbursement, deal cost reimbursement and, where there is board representation, directors' fees to companies in which the Fund invests.</p> <p>Where applicable, VAT will be charged.</p>	
Adviser fees	Initial adviser charges can be facilitated.	



## Initial & Ongoing Fees

The Fund's disclosed aggregate initial fees amount to 3.5% with annual fees of 2%. Total initial fees (charged to investors and investee companies) across 38 comparable EIS offers listed on the MICAP Fund Finder range from nil to 8%, with annual fees ranging from 0% to 5%. Encouragingly the Fund's fees fall well within this range and are below average on both an initial and annual basis. Additionally, we note that the annual management charge for year two onwards is deferred and only taken from company realisations, which should keep SBS motivated towards providing investors with an exit.

It is worth noting that as SBS aims to charge all fees to investee companies, which should result in up to 100% of investor's subscriptions being available for potential EIS tax reliefs. However, in the absence of being able to charge the annual management fee to investee companies, SBS will retain one years' worth of fees from investors' subscriptions, reducing the amount available for EIS tax reliefs to 99%. Nevertheless, this is towards the higher end in the industry, where some funds deploy as low as 89% of investors' subscriptions after the deduction of fees.

SBS also has the capacity to charge investee companies additional fees including monitoring and directors' fees and has advised that each investee company is charged £2,000 per board meeting; however, it is worth highlighting that the two scheduled monthly meetings are covered by the annual management charge. Such charges should be taken into consideration as this can have an effect on the amount of capital each company can use towards achieving its objectives; notably not all managers disclose such fees and it is encouraging to see these fees quantified.

## Performance Fees

The Fund has a staggered performance fee structure, which is uncommon in the EIS industry; for all returns between £1.60 (per £1 invested) and £4.00 a 20% performance fee will be due to SBS, while a performance fee of 33% is charged for any returns above £4.00. The Fund's performance fees are in line with the market, while the performance hurdle sits far above the market average of circa 112%.

Additionally, the performance fee is applied on a portfolio basis, rather than investee company basis – where applied on an individual investee company basis, investors can pay a performance fee on an individual investee company despite making an overall loss on their portfolio.

## Fees & Charges Summary

The Fund's fees on an initial and ongoing basis fall towards the lower end of 38 comparable EIS funds open on the MICAP Fund Finder. Additionally, as the majority of fees are charged to investee companies, a minimum of 99% of investors' subscriptions will be available for EIS tax relief, which is towards the higher end of the market.

To add to the above, the Fund's relatively high, two-tiered performance hurdle, plus the fact that the performance fee is charged on a portfolio basis rather than investee company basis and that the Fund operates a deferred AMC charge (taken on realisation) is all encouraging and should ensure that SBS is well incentivised to meet the targets set out in its IM in a timely fashion.



## Parties Involved

The parties involved in an investment can have significant implications on many different factors- its fund manager would affect its ability to meet its performance objectives, whereas its promoter would affect its ability to raise sufficient funds for it to proceed or to reach critical mass so that it is properly diversified. Likewise, its tax adviser, administrator, custodian etc. all have key roles to play for it to operate smoothly. Fund managers may have the capacity to carry out some of these functions in-house, or they may hire external third parties. At all times it is important to consider whether the parties involved are properly regulated and whether they have sufficient experience.

Sometimes it can be helpful to consider the credit assessment of the respective parties in order to get an idea of their financial standing, and for this reason the Experian ratings have been included. However, credit assessments are constantly changing and are based on a variety of factors, and so the relevance of these ratings should be taken into account and considered accordingly.

### Manager

<b>Firm name</b>	Sapphire Capital Partners LLP
<b>Date of incorporation</b>	25 November 2009
<b>Company reference number</b>	NC000562
<b>FCA regulatory status</b>	Authorised and regulated since 01 April 2013
<b>FCA firm reference number</b>	565716
<b>Address</b>	28 Deramore Park, Belfast, BT9 5JU
<b>Telephone</b>	0203 053 3711
<b>Website</b>	<a href="http://www.sapphirecapitalpartners.co.uk">www.sapphirecapitalpartners.co.uk</a>
<b>Experian credit assessment (score)</b>	Low risk (87)

### Investment Adviser & Promoter

<b>Firm name</b>	The SideBySide Partnership International Ltd
<b>Date of incorporation</b>	06 May 2016
<b>Company reference number</b>	10166558
<b>FCA regulatory status</b>	Appointed representative of Sapphire Capital Partners LLP since 02 April 2019
<b>FCA firm reference number</b>	839306
<b>Registered Address</b>	Stag Gates House, 63 64 The Avenue, Southampton, Hampshire, SO17 1XS
<b>Operating Address</b>	17 Carlton House Terrace, St. James's, London, SW1Y 5AS
<b>Telephone</b>	0207 993 8686
<b>Website</b>	<a href="http://www.thesidebysidepartnership.com">www.thesidebysidepartnership.com</a>
<b>Experian credit assessment (score)</b>	Maximum risk (15)



### Due Diligence Provider

Firm name	CFPro Ltd
Date of incorporation	15 April 20104
Company reference number	08998267
Address	12 Times Court, Retreat Road, Richmond-upon-Thames, TW9 1AF
Telephone	020 8948 4909
Website	<a href="http://www.cfpro.co.uk">www.cfpro.co.uk</a>
Experian credit assessment (score)	Below average risk (72)

### Custodian

Firm name	Woodside Corporate Services Ltd
Date of incorporation	20 March 2007
Company reference number	06171085
Address	4th Floor, 50 Mark Lane, London, EC3R 7QR
Telephone	0203 216 2000
Website	<a href="http://www.tricorglobal.com/locations-global-business/united-kingdom-business">www.tricorglobal.com/locations-global-business/united-kingdom-business</a>
Experian credit assessment (score)	Very low risk (100)

### Nominee

Firm name	WCS Nominees Ltd
Date of incorporation	17 November 2006
Company reference number	06002307
Address	4th Floor, 50 Mark Lane, London, EC3R 7QR
Telephone	0203 216 2000
Website	<a href="http://www.tricorglobal.com/locations-global-business/united-kingdom-business">www.tricorglobal.com/locations-global-business/united-kingdom-business</a>
Experian credit assessment (score)	n/a

### Legal & Tax Advisers

Firm name	RW Blears LLP
Date of incorporation	21 October 2009
Company reference number	OC349449
Address	29 Lincoln's Inn Fields, London, WC2A 3EG
Telephone	0203 773 5215
Website	<a href="http://www.blears.com">www.blears.com</a>
Experian credit assessment (score)	Very low risk (100)

### Parties Involved Summary

Overall, where external third parties have been utilised, they appear to be suitably qualified firms in good standing.



## Appendix I – External Consultants

<b>Member Name</b>	Barbara Spurrier
<b>Summary biography</b>	Barbara is a qualified certified accountant (FCCA) with over 30 years' finance experience in numerous sectors including Technology, Oil & Gas and FMCG. Recently Barbara has successfully concluded two initial public offerings & two reverse takeovers onto LSE/AIM.
<b>LinkedIn profile</b>	<a href="http://www.linkedin.com/in/barbara-spurrier-2536a3">www.linkedin.com/in/barbara-spurrier-2536a3</a>
<b>Member Name</b>	Rodrigo Jesus
<b>Summary biography</b>	SBS has advised that Rodrigo Jesus is a serial entrepreneur, with a focus on the technology space including Brazil's first online insurance aggregator, Seguradora Sossego.  Rodrigo is a board member of Open Vista Investment Management Ltd in addition to being Managing Partner of Xingu Capital an M&A boutique specialising in cross border transactions in South America.
<b>LinkedIn profile</b>	<a href="http://www.linkedin.com/in/rodrigo-vinicius-de-jesus-65400ab">www.linkedin.com/in/rodrigo-vinicius-de-jesus-65400ab</a>
<b>Member Name</b>	Grant Allen
<b>Summary biography</b>	Grant is a specialist in software design and since 2006 he has held the role of Technology Program Manager & Principal Architect at Google. During his early days at Google he was one of the early designers of the product that became Google Maps, and more recently he has been utilised as a resource to guide and direct software companies.  Grant has a PhD in Hi-tech innovation and commercialisation from the University of Technology, Sydney and for the past six years he has been a guest lecturer at the University of Cambridge.
<b>LinkedIn profile</b>	<a href="http://www.linkedin.com/in/gxallen">www.linkedin.com/in/gxallen</a>
<b>Member Name</b>	Ashley Blackmore
<b>Summary biography</b>	Ashley is currently a Partner at Positive Momentum Ltd, a management consultancy firm. Prior to this, he has held a number of senior business development roles including Corporate Business Development Director at Blackmore Future Resources Ltd. Sandwiched between these roles he was CEO of Sterling Syncordia, a B2B telecoms company he founded and later sold to FLR Spectron Ltd in 2007.
<b>LinkedIn profile</b>	<a href="http://www.linkedin.com/in/ashleyblackmore">www.linkedin.com/in/ashleyblackmore</a>
<b>Member Name</b>	Bruce Elliot Smith – Business Development Adviser, SBS
<b>Summary biography</b>	Bruce has been working in the financial services industry for over 20 years, primarily in business development. Firstly, as a broker consultant for Scottish Amicable in the 90's before setting up an IFA business, which resulted in a trade sale to the IFG Group within 3 years.  Bruce then worked for 5 years at Origen Financial Services as their UK business development manager before going on to found an award-winning music and events company which culminated in winning a Grammy and UK festival award.
<b>LinkedIn profile</b>	<a href="http://www.linkedin.com/in/r-bruce-elliott-smith-3aa674a1">www.linkedin.com/in/r-bruce-elliott-smith-3aa674a1</a>





<b>Member Name</b>	Martin Fox – Marketing Advisor, SBS
<b>Summary biography</b>	<p>Martin has had a career in financial services marketing, which has included a range of roles at Legal &amp; General, Marketing Director at Prolific, and General Manager Marketing at Pearl Assurance. He then became Managing Director of the strategic marketing arm of a London agency.</p> <p>Today he is Managing Director of Bulletin Marketing, a specialist financial services marketing consultancy. Additionally, he is involved in the tax efficient market, working for the EIS Association which includes chairing their Research, Education and Marketing committee.</p>
<b>LinkedIn profile</b>	<a href="http://www.linkedin.com/in/martinfoxmarketing">www.linkedin.com/in/martinfoxmarketing</a>